

DELANCO TOWNSHIP SEWERAGE AUTHORITY
County of Burlington

REPORT OF AUDIT
For the Years Ended
December 31, 2015 and 2014

DELANCO TOWNSHIP SEWERAGE AUTHORITY

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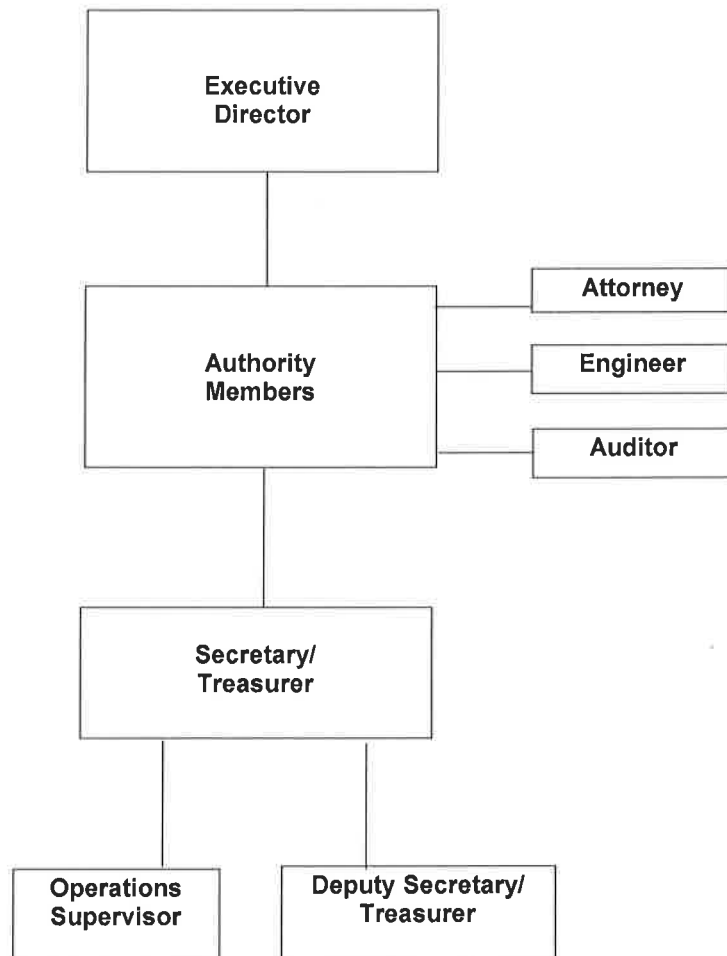
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Introductory Section

DELANCO SEWERAGE AUTHORITY

Organizational Chart



DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Roster of Officials
December 31, 2015**

Members of the Authority

Term Expires

Thomas Fynan, Chairperson	2018
Philip Jenkins	2016
William Dillenbeck	2019
Joan Hinkle	2020
Robert Dovey, Jr.	2017

Other Officials:

Brandi-Lyn Mochernuk, Secretary/Treasurer
Thomas J. Coleman, III, Esq. Solicitor

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Consultants and Advisors

Audit Firm

Inverso & Stewart, LLC
651 Route 73 North, Suite 402
Marlton, NJ 08053

Attorney

Thomas Coleman III, Esquire
325 New Albany Road
Moorestown, NJ 08057

Engineer

Environmental Resolutions
525 Fellowship Road, Suite 300
Mount Laurel, NJ 08054

Official Depository

Beneficial Bank
Burlington, NJ 08016

Delanco Federal Savings Bank
Delanco, NJ 08075

Part I
Financial Section

INVERSO & STEWART, LLC
Certified Public Accountants

651 Route 73 North, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: Iscpas@concentric.net

-Member of-
American Institute of CPAs
New Jersey Society of CPAs

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and
Members of the Delanco Township Sewerage Authority
Township of Delanco
County of Burlington
Delanco, New Jersey

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Delanco Township Sewerage Authority in the County of Burlington, State of New Jersey, a component unit of the Township of Delanco, as of and for the fiscal years ended December 31, 2015 and December 31, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Delanco Sewerage Authority in the County of Burlington, State of New Jersey, as of December 31, 2015 and December 31, 2014, and its changes in financial position and its cash flows thereof for the fiscal years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Principles

During the year ended December 31, 2015, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. My opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statements No. 68 and No. 7, beginning net position on the statement of revenues, expenses and changes in net position has been restated as discussed in note 14 to the financial statements. My opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules as listed in the table of contents are not a required part of the basic financial statements.

The accompanying supplementary schedules as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information described in the previous paragraph is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated May 26, 2016 on my consideration of the Authority's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
May 27, 2016

INVERSO & STEWART, LLC

Certified Public Accountants

651 Route 73 North, Suite 402
Marlton, New Jersey 08053
(856) 983-2244
Fax (856) 983-6674
E-Mail: Isepas@concentric.net

-Member of-
American Institute of CPAs
New Jersey Society of CPAs

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

The Honorable Chairman and
Members of the Delanco Township Sewerage Authority
Township of Delanco
County of Burlington
Delanco, New Jersey

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey the financial statements of the business-type activities of the Delanco Township Sewerage Authority, in the County of Burlington, State of New Jersey, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued my report thereon dated May 27, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INVERSO & STEWART, LLC
Certified Public Accountants



Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

Marlton, New Jersey
May 27, 2016

Required Supplementary Information

Management's Discussion and Analysis

**Delanco Township Sewerage Authority
Management's Discussion and Analysis
For the Year Ended December 31, 2015**

As management of the Delanco Township Sewerage Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the Authority for the year ended December 31, 2015. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Basic Financial Statements

Our basic financial statements are prepared using proprietary fund (enterprise fund) accounting that uses the same basis of accounting as private-sector business enterprises. The Authority operates one enterprise fund. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting is used.

The statement of net position presents information about all of the Authority's assets and liabilities. The difference between the assets and liabilities is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of revenue, expenses and changes in net position presents information showing how the net position of the Authority changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flows may be recorded in a future period.

The statement of cash flows reports cash and cash equivalent activities for the year resulting from operating activities and investing activities. The net result of these activities added to the beginning of the year cash balance total to the cash and cash equivalent balance at the end of the current year.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Delanco Township Sewerage Authority
Statement of Net Position
For the Year Ended December 31, 2015 and 2014

	<u>2015</u>	<u>Restated</u>	<u>2014</u>
Assets			
Current Unrestricted	\$ 1,579,514	\$	1,698,943
Current Restricted	10,028		9,388
Capital Assets	<u>3,353,146</u>		<u>3,445,004</u>
 Total Assets	 <u>4,942,688</u>		 <u>5,153,335</u>
Deferred Outflows of Resources			
Deferred Outflows of resources pensions	 <u>93,989</u>		 <u>39,468</u>
Liabilities			
Current Liabilities	236,302		219,759
Noncurrent Liabilities	<u>2,001,945</u>		<u>2,129,015</u>
 Total Liabilities	 <u>2,238,247</u>		 <u>2,348,774</u>
Deferred Inflows of Resources			
Deferred Inflows of resources pensions	 <u>7,308</u>		 <u>22,064</u>
 Net Position	 <u>\$ 2,791,122</u>		 <u>\$ 2,804,561</u>
Net Position Consist of:			
Invested in Capital Assets	\$ 2,263,146	\$	2,213,875
Accrued Unfunded pension liability	(367,850)		(352,833)
Designated to Subsequent Year	327,255		379,304
Unrestricted	<u>568,671</u>		<u>581,619</u>
 Net Position	 <u>\$ 2,791,222</u>		 <u>\$ 2,821,965</u>

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,791,222 (*net position*).
- The total net position of the Authority decreased by \$30,743 or a 1.09% decrease from the restated prior year-end balance. The decrease is attributable to a decrease in sewer service charges.

Delanco Township Sewerage Authority
Changes in Net Position
For the Year Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenues		
Program Revenues		
Charges for services	\$ 944,819	\$ 957,911
Other revenue	42,092	37,236
Nonoperating Revenues:		
Township fair share contribution	1,695	1,695
Amortization of premium	6,981	6,981
Reserve for Debt Service	61,000	
Prior year refund	2,025	1,666
Interest revenue	4,816	7,420
	<u>1,063,428</u>	<u>1,012,909</u>
Expenses		
Administration		
Salaries	33,956	47,415
Fringe Benefits	72,115	61,883
Other Expenses	64,444	54,113
Cost of Providing Services		
Salaries	63,406	59,313
Operating and Maintenance	724,494	655,747
Depreciation	91,858	91,858
Interest on Debt	43,898	48,370
	<u>1,094,171</u>	<u>1,018,699</u>
Increase in Net Position	(30,743)	(5,790)
Net Position, January 1, restated,	2,821,965	2,827,755
Net Position, December 31,	<u>\$ 2,791,222</u>	<u>\$ 2,821,965</u>

The sewer collection rate increased from 84.15% in 2014 to 87.16% in 2015.

The Authority is relying on the Unrestricted Net Position to balance the budget. In 2015 the Authority appropriated \$379,304 or 39.47% of available unrestricted net position, whereas in 2016 the Authority appropriated \$327,255 or 38.06% of available unrestricted net position.

**Delanco Township Sewerage Authority
Capital Assets (net of accumulated depreciation)
For the Year Ended December 31, 2015 and 2014**

The Authority's capital assets as of December 31, 2015, totaled \$3,353,146 (net of accumulated depreciation) which represents an decrease of \$91,858 when compared to December 31, 2014. The total decrease resulted from depreciation expense in the amount of \$91,858.

	2015	2014
Capital Assets	\$ 3,353,146	3,445,004
Total	\$ 3,353,146	\$ 3,445,004

The Authority's capital expenditures are expected to increase based on the five year capital program adopted along with the annual budget for the year ending December 31, 2015.

Additional information on the Authority's Capital Fixed Assets can be found in Note 5 in the Notes to the Financial Statements.

Long-Term Debt

The Authority's long-term debt at December 31, 2015 was \$1,197,453, a decrease of \$146,494 when compared to the balance at December 31, 2014 in the amount of \$1,343,947. The decrease is primarily due to the repayment of debt principal and the expensing of premium.

The outstanding debt consists of \$970,000 funded by the Burlington County Bridge Commission (BCBC), \$120,000 funded by the New Jersey Environmental Infrastructure Trust Fund (NJEIT), \$51,773 of unamortized premium on the loan with BCBC and \$55,680 of compensated absences on unused sick and vacation time. Interest on both loans are paid semi-annually with interest rates varying from 3% to 4.5%. The unamortized premium on the loan with BCBC is expensed over the life of the loan.

Additional information on the Authority's long-term debt can be found in Notes 6, 9, and 12 in the Notes to the Financial Statements.

Next Year's Budget and User Rates

The Delanco Township Sewerage Authority adopted a budget of \$1,172,450 for 2016 which is an increase of \$1,146 when compared to 2015 Budget. User rates for 2016 will remain the same as the previous year.

In conclusion, the Delanco Township Sewerage Authority has committed itself to providing excellent service to their consumers. The Authority plans to continue its sound fiscal management to meet the challenges of the future.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the Authority. Questions concerning any of the information provided in this report may be directed to the Secretary/Treasurer of the Authority at 770 Coopertown Road, Delanco, New Jersey, 08078 (856) 461-6876.

Basic Financial Statements

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Net Position
As of December 31, 2015 and 2014

	December 31,	
	2015	Restated 2014
ASSETS:		
Current Unrestricted Assets:		
Revenue/Operating Account:		
Cash and Cash Equivalents	\$ 1,410,350	\$ 1,494,134
Consumer Accounts Receivable	144,071	176,793
Prepaid Debt	18,324	19,899
Due from the City of Beverly Sewerage Authority	6,869	6,784
Other accounts receivable		1,333
	1,579,614	1,698,943
Total Unrestricted Assets		
Non-Current Assets:		
Restricted Assets:		
Cash and Cash Equivalents	10,028	9,388
	10,028	9,388
Total Restricted Assets		
Property, Plant and Equipment:		
Construction in Progress		
Completed (Net of Accumulated Depreciation)	3,353,146	3,445,004
	3,353,146	3,445,004
Total Property, Plant and Equipment:		
	3,363,174	3,454,392
Total NonCurrent Assets		
Total Assets	\$ 4,942,788	\$ 5,153,335
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred outflows of resources from pension	\$ 93,989	\$ 39,468
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,036,777	\$ 5,192,803

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Net Position
As of December 31, 2015 and 2014

	December 31,	
	2015	Restated 2014
LIABILITIES:		
Current liabilities Payable from Unrestricted Assets:		
Accounts Payable - Operations	\$ 3,368	\$ 6,428
Due to the City of Beverly Sewerage Authority	55,381	39,090
Service Charges Overpayments	3,252	2,576
Total Current Liabilities Payable from Unrestricted Assets	<u>62,001</u>	<u>48,094</u>
Current Liabilities Payable from Restricted Assets:		
Capital Lease Payable - Current Portion	105,000	105,000
N.J. Environmental Infrastructure Loan Payable - Current Portion	40,000	36,129
Accrued Bond and Loan Interest Payable	19,273	21,148
Escrow Deposits	10,028	9,388
Total Current Liabilities Payable from Restricted Assets	<u>174,301</u>	<u>171,665</u>
Long-term Liabilities:		
Reserve for Debt Service	489,000	550,000
Capital Lease Payable	865,000	970,000
N.J. Environmental Infrastructure Loan Payable	80,000	120,000
Unamortized Premium on Serial Bonds Payable	51,773	58,753
Payroll Deductions Payable	5,961	5,961
Compensated Absences Payable	55,680	54,064
Net Pension Liability	454,531	370,237
Total Long-term Liabilities	<u>2,001,945</u>	<u>2,129,015</u>
Total Liabilities	<u>2,238,247</u>	<u>2,348,774</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred inflows of resources from pension	\$ 7,308	\$ 22,064
NET POSITION:		
Net Investment in Capital Assets	<u>2,263,146</u>	<u>2,213,875</u>
Unrestricted:		
Accrued unfunded pension liability	(367,850)	(352,833)
Designated to Subsequent Year's Budget	327,255	379,304
Undesignated	568,671	581,619
Total Unrestricted	<u>528,076</u>	<u>608,090</u>
Total Net Position	<u>\$ 2,791,222</u>	<u>\$ 2,821,965</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 5,036,777</u>	<u>\$ 5,192,803</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2015 and 2014

	December 31,	
	2015	Restated 2014
Operating Revenues:		
Service Charges	\$ 944,819	\$ 957,911
Connection Fees	6,709	8,820
Miscellaneous Charges	35,383	28,416
Total Operating Revenue	<u>986,911</u>	<u>995,147</u>
Operating Expenses:		
Administration Expenses:		
Salaries and Wages	33,956	47,415
Fringe Benefits	72,115	61,883
Other	64,444	54,113
Total Administration Expenses	<u>170,515</u>	<u>163,411</u>
Cost of Providing Services:		
Salaries and Wages	63,406	59,313
Other	724,494	655,747
Total Cost of Providing Services	<u>787,900</u>	<u>715,060</u>
Depreciation	<u>91,858</u>	<u>91,858</u>
Total Operating Expenses	<u>1,050,273</u>	<u>970,329</u>
Operating Income (Loss)	<u>(63,362)</u>	<u>24,818</u>
Non-Operating Revenue (Expenses):		
Amortization of Premium on Capital Lease	6,981	6,981
Bond Interest	(43,898)	(48,370)
Reserve for Debt Service	61,000	
Township Fair Share Contribution	1,695	1,695
Refund of Prior Year Expense	2,025	1,666
Investment Income	4,816	7,420
Total Non-Operating Revenue (Expenses)	<u>32,619</u>	<u>(30,608)</u>
Change in Net Position	(30,743)	(5,790)
Net Position - Beginning of Year , restated	<u>2,821,965</u>	<u>2,827,755</u>
Net Position - End of Year	<u>\$ 2,791,222</u>	<u>\$ 2,821,965</u>

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Statement of Cash Flows
For the Years Ended December 31, 2015 and 2014**

	December 31,	
	2015	Restated 2014
Cash Flows from Operating Activities:		
Receipts from Customers	\$ 983,037	\$ 944,727
Receipts from Other Operating Revenue	53,959	54,757
Payments to Employees	(95,746)	(111,560)
Payments for Employee Benefits	(57,098)	(59,195)
Payments to Suppliers	(786,786)	(671,938)
	97,366	156,791
Cash Flows from Capital and Related Financing Activities:		
Capital Acquisitions		(52,192)
Prepaid Debt Service	(18,324)	(19,899)
Debt Service:		
Principal	(141,129)	(163,211)
Interest	(25,873)	(49,942)
	(185,326)	(285,244)
Cash Flows from Investing Activities:		
Interest and dividends	4,816	7,420
	4,816	7,420
Net Increase (Decrease) in Cash and Cash Equivalents	(83,144)	(121,033)
Cash and Cash Equivalents - Beginning	1,503,522	1,624,555
Cash and Cash Equivalents - Ending	\$ 1,420,378	\$ 1,503,522
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ (63,362)	\$ 24,818
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:		
Township Fair Share Contribution	1,695	1,695
Refund of Prior Year Expense	2,025	1,666
Depreciation	91,858	91,858
(Increase) Decrease in Consumer Accounts Receivable	32,721	(19,461)
(Increase) Decrease in Due from Beverly Sewerage Authority	(85)	7,376
(Increase) Decrease in Other Accounts Receivable	1,333	(1,333)
Increase (Decrease) in Escrow Deposits	641	2,521
Increase (Decrease) in Overpayments	676	1,709
Increase (Decrease) in Accounts Payable	(3,060)	(2,609)
Increase (Decrease) in Due to Beverly Sewerage Authority	16,291	39,090
Increase (Decrease) in Compensated Absences Payable	1,616	597
Increase (Decrease) in Payroll Deductions Payable		5,961
Increase (Decrease) in Pension Liability	15,017	2,903
	15,017	2,903
Net Cash Provided by (Used for) Operating Activities	\$ 97,366	\$ 156,791

The accompanying Notes to the Basic Financial Statements are an integral part of this statement.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Financial Reporting Entity - The Township of Delanco is located in the western portion of the County of Burlington, State of New Jersey. The present population according to the 2013 State population estimate is 4,558.

The Township, by ordinance, created the Delanco Township Sewerage Authority (the Authority). The Authority is organized under the provisions of P.L. 1957 C. 138 of the Laws of the State of New Jersey (the Act). The Act grants power to every municipality of the State by means and through agency of a municipal utilities authority to acquire, construct, maintain, operate or improve works for the accumulation, supply or distribution of water and works for the collection, treatment, purification or disposal of sewerage or other wastes. A five-member board governs the Authority. The Township Committee of the Township of Delanco appoints the members to the Sewerage Authority Board for a term of five years on a staggered basis. The members of the Board oversee the Authority's operations.

The Authority operates and maintains a sewage collection system within the municipal boundaries of the Township of Delanco. The sewerage is then passed on to the City of Beverly Sewer Authority system for treatment of all waste materials.

The Authority bills and collects for its services from all customers and is entitled to a connection fee for new hook-ups.

Component Unit

The Delanco Township Sewerage Authority is a component unit of the Township of Delanco as described in Governmental accounting standards Board statement No. 14, *The Financial reporting Entity*. These financial statements would be either blended or discreetly presented as part of the Township's financial statement if the Township reported using generally accepted accounting principles applicable to governmental entities.

GASB Statement No. 14 also provides guidance that all entities associated with a primary government are potential component units and should be evaluated for inclusion in the financial reporting entity. A primary government is financially accountable not only for the organizations that make up its legally entity, but also for legally separate organizations that meet the criteria established by GASB Statement No. 14, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. As of December 31, 2015, it has been determined by the Authority that no component units exist.

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015**

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Sewer service charges are recognized as revenue when services are provided and are billed. Connection fees are collected in advance and, accordingly, the Authority defers revenues until the Authority issues a release for certificate of occupancy and determines that sewerage collection services are being provided to the properties.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets/Budgetary Accounting - The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. This statute requires that the governing body introduce the annual Authority budget at least 60 days prior to the end of the current year and to adopt not later than the beginning of the Authority's calendar year. The governing body may amend the budget at any point during the year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense and amortization of bond issuance costs are not included in the budget appropriations.

The legal level of budgetary control is established at the detail shown on the Statement of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended. The budget, as detailed on Exhibit B-1 includes all amendments to the adopted budget.

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments - Cash and cash equivalents include petty cash, change funds and cash on deposit with public depositories. All certificates of deposit are recorded as cash regardless of the date of maturity. Investments are stated at market value.

Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments (Continued) - New Jersey municipal units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey municipal units. In addition, other State statutes permit investments in obligations issued by local utilities and other state agencies. N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

The cash management plan adopted by the Authority requires it to deposit funds in public depositories protected from loss under the provisions of the Act.

Inventories of Supplies - The costs of inventories of supplies are recorded as expenditures at the time individual items are purchased. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

Deferred Outflows/Inflows of Resources – In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property, Plant and Equipment – Property, Plant and Equipment primarily consists of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets are stated at actual or estimated historical cost.

Costs incurred are recorded as construction in progress. In the year that the project is completed, these costs are transferred to Property, Plant and Equipment – Completed. Interest costs incurred during construction are not capitalized into the cost of the asset.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$1,000.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation - Depreciation is provided using the straight-line method over the following estimated useful life of the assets:

	Years
Buildings	30-40
Major Moveable Equipment	5-20
Vehicles	7
Infrastructure	40

Bond Issuance Costs and Bond Premium - Issuance costs incurred and premiums received in conjunction with the capital lease agreement with the Burlington County Bridge Commission are deferred and amortized over the term of the bonds using the straight line method.

Balance December 31, 2015	Premium
Premium Received	\$ 139,612
Accumulated Amortization	87,839
Unamortized Balance	\$ 51,773
Current Amortized Balance	\$ 6,981

Unearned Revenue - Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Net Position - Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. Net position is classified into the following three components:

Net Investment in Capital Assets - This component represents capital assets, net of accumulated depreciation, net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

Restricted - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

Unrestricted - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Income Taxes - The Authority operates as defined by the Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Non-Operating Revenues and Expenses - Operating revenues include all revenues derived from facility charges (i.e., sewer revenues) and other revenue sources. Non-operating revenues principally consist of interest income earned on various interest-bearing accounts and certificates of deposit.

Operating expenses include expenses associated with the operation, maintenance and repair of the sewer system and general administrative expenses. Non-operating expenses principally include expenses attributable to debt service interest.

Use of Estimates - Management of the Authority has made certain estimates and assumptions relating to the reporting of assets, liabilities and revenues and expenses to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results may differ from those estimates.

Recently Issued Accounting Pronouncements – In February 2015, the GASB issued Statement 72, Fair Value Measurement and Application. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This Statement is effective for financial statements for periods beginning after June 15, 2015 and will not have any effect on the Authority's financial reporting.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. This Statement is effective for financial statements for periods beginning after June 15, 2016 and will not have any effect on the Authority's financial reporting.

In June 2015, the GASB issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are *not* administered through trusts that meet the specified criteria. This Statement is effective for financial statements for periods beginning after June 15, 2016. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued) - In June, 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. This Statement is effective for financial statements for periods beginning after June 15, 2017. Management is currently evaluating the impact of the adoption of this Statement on the Authority's financial statements.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements in this Statement improve financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. As a result, governments will apply financial reporting guidance with less variation, which will improve the usefulness of financial statement information for making decisions and assessing accountability and enhance the comparability of financial statement information among governments. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement is effective for financial statements for periods beginning after June 15, 2015 and will not have any effect on the Authority's financial reporting.

NOTE 2. STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY

Compliance with finance related legal and contractual provisions

The Authority has no material violations of finance related legal and contractual provisions.

Other Restricted Accounts

The Authority maintains an escrow fund to hold monies that are being held in trust for others.

NOTE 3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits – Custodial credit risk refers to the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Unit (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings of funds that pass to the Authority relative to the happening of a future condition. Such funds are classified as uninsured and uncollateralized.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits (Continued) – Of the Authority's amount on deposit of \$1,419,778 as of December 31, 2015, \$250,000 was insured under FDIC and the remaining balance of \$1,169,778 was collateralized under GUDPA.

NOTE 4. SEWER SERVICE CHARGES

The following is a five year comparison of sewer service fee billings and the related collections.

Year Ending Dec. 31,	Beginning Balance	Consumer Charges	Total	Collections	Percentage of Collections
2015	\$ 176,793	\$ 944,819	\$ 1,121,612	\$ 977,541	87.16%
2014	157,332	957,911	1,115,243	938,450	84.15%
2013	135,489	952,891	1,088,380	931,048	85.54%
2012	124,055	841,268	965,323	829,268	85.91%
2011	112,021	743,441	855,462	731,407	85.50%

NOTE 5. PROPERTY, PLANT and EQUIPMENT

During the year ended December 31, 2015, the following changes in Property, Plant and Equipment occurred:

	Balance Dec. 31, 2014	Additions	Disposals	Balance Dec. 31, 2015
Machinery and Equipment	\$ 20,370			\$ 20,370
Infrastructure	5,005,782			5,005,782
	5,026,152	-	-	5,026,152
Depreciation	(1,581,148)	\$ (91,858)		(1,673,006)
Completed (Net of Accumulated Depreciation)	\$ 3,445,004	\$ (91,858)	\$ -	\$ 3,353,146

NOTE 6. COMPENSATED ABSENCES

The Authority sewer supervisor is the only employee entitled to receive paid unused sick leave. Unused sick leave days may be accumulated and carried forward to subsequent years. Upon separation from service or retirement the supervisor is permitted to be compensated for accumulated unused sick leave, at a rate of 50% of its current value. The accrued liability for accumulated sick leave at December 31, 2015 is estimated at \$55,680.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 7. PENSION PLANS

Description of Plans – The Authority's employees participate in one of the following pension plans which have been established by State statute, and are administered by the New Jersey Division of Pensions and Benefits (Division): the Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP). PERS is a defined benefit pension plans while the DCRP is a defined contribution pension plan. Each plan has a Board of Trustees that is primarily responsible for its administration. The Division issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole, but not by individual employer. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625-0295.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan which was established on January 1, 1955. The PERS provides retirement, death and disability, and medical benefits to certain qualified members. Vesting and benefit provisions are established by N.J.S.A. 43:15A and 43:3B.

The contribution requirements of plan members are determined by State statute. In accordance with Chapter 62, P.L. 1994, plan members enrolled in the Public Employees' Retirement System were required to contribute 5% of their annual covered salary. Effective July 1, 2008, however, in accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, plan members are required to contribute 5.5% of their annual covered salary. For employees enrolled in the retirement system prior to July 1, 2008, the increase is effective with the payroll period that begins immediately after July 1, 2008. Pursuant to the provisions of Chapter 78, P.L. 2011, the active member contribution rate was increased to 6.5%. An additional 1.0% increase is being phased-in over seven years beginning on July 1, 2012 and increases each subsequent July 1. The State Treasurer has the right under the current law to make temporary reductions in rates based on the existence of surplus pension assets in the retirement system; however, statute also requires the return to the normal rate when such surplus pension assets no longer exist.

The Authority is billed annually for its normal contribution plus any accrued liability. The Authority's contributions, equal to the required contribution for each fiscal year, were as follows:

<u>Fiscal Year</u>	<u>Normal Contribution</u>	<u>Accrued Liability</u>	<u>Group Life Insurance</u>	<u>Total Liability</u>	<u>Paid by Authority</u>
2015	\$ 2,714	\$ 12,554	\$ 1,034	\$ 16,302	\$ 16,302
2014	4,247	11,505	240	14,362	14,362
2013	3,945	9,432	796	14,173	14,173

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

For the year ended December 31, 2015, the Authority recognized pension expense of \$33,528. At December 31, 2015, the Authority reported a liability of \$454,531 for its proportionate share of the PERS net pension liability and deferred outflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,844	\$ -
Changes of assumptions	48,813	
Net difference between projected and actual earnings on pension plan investments		7,308
Changes in proportion	16,924	
Authority contributions subsequent to the measurement Date	17,408	
Total	\$ 93,989	\$ 7,308

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended:	Net Deferred Outflow of Resources:
2016	\$ 10,757
2017	10,757
2018	10,757
2019	10,757
2020	10,757
Thereafter	15,488
Total	\$ 69,273

Additional Information

Collective balances at June 30, 2015 and 2014 are as follows:

	6/30/2015	6/30/2014
Collective deferred outflows of resources	\$ 3,578,755,666	\$ 952,194,675
Collective deferred inflows of resources	\$ 993,410,455	\$ 479,224,662
Collective net pension liability	\$ 22,447,996,119	\$ 18,722,735,003
Authority's Proportion	.0020248175%	.0019774727%

Actuarial assumptions – The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014, which was rolled forward to June 30, 2015.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate: 3.04%
 Salary Increases:
 2012-2021: 2.15-4.40% based on age
 Thereafter: 3.15-5.40% based on age
 Investment Rate of Return: 7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Long-Term Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.90% at June 30, 2015) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries.

The long term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	05.00%	01.04%
U.S. Treasuries	01.75%	01.64%
Investment Grade Credit	10.00%	01.79%
Mortgages	02.10%	01.62%
High Yield Bonds	02.00%	04.03%
Inflation Indexed Bonds	01.50%	03.25%
Broad US Equities	27.25%	08.52%
Developed	12.00%	06.88%
Foreign Equities		
Emerging Market Equities	06.40%	10.00%
Private Equity	09.25%	12.41%
Hedge Funds/Absolute Ret	12.00%	04.72%
Real Estate (Property)	02.00%	06.83%
Commodities	01.00%	05.32%
Global Debt ex US	03.50%	-0.40%
REIT	04.25%	5.12%

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 7. PENSION PLANS (Continued)

Public Employees' Retirement System (PERS) (Continued)

Discount rate. The discount rate used to measure the State's total pension liability was 4.90% as of June 30, 2015. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.90%, and a municipal bond rate of 3.8% as of June 30, 2015, based on the Bond Buyer Go 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability measured as of June 30, 2015, calculated using the discount rate of 4.90%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.90%) or 1 percentage point higher (5.90%) than the current rate:

	1% Decrease (3.90%)	Current Discount Rate (4.90%)	1% Increase (5.90%)
Authority's proportionate share of the net pension liability	\$ 564,926	\$ 454,531	\$ 361,976

Related Party Investments – The Division of Pensions and Benefits does not invest in securities issued by the Authority.

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The financial statements of the Authority are not prepared in accordance with Governmental Standards Board Statement No. 45. The following information is provided in accordance with the requirements of the Statement.

Plan Description – The Authority contributes to the State Health Benefits Program ("SHBP"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the State of New Jersey Division of Pension and Benefits. SHBP was established in 1961 under N.J.S.A. 52:14-17.25 et seq. to provide health benefits to State employees, retirees, and their dependents. Rules governing the operation and administration of the program are found in Title 17, chapter 9 of the New Jersey Administrative code. SHBP provides medical, prescription drugs, mental health/substance abuse, and Medicare Part B reimbursement to retirees and their covered dependents.

The SHBP was extended to employees, retirees, and dependents of participating local public employers in 1964. Local employers must adopt a resolution to participate in the SHBP.

The State Health Benefits Commission is the executive body established by statute to be responsible for the operation of the SHBP. The State of New Jersey Division of Pensions and Benefits issues a publicly available financial report that includes financial statements and required supplementary information for SHBP. That report may be obtained by writing to the State of New Jersey, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Participating employers are contractually required to contribute based on the amount of premiums attributable to their retirees. Post-retirement medical benefits under the plan have been funded on a pay-as-you-go basis since 1994. Prior to 1994, medical benefits were funded on an actuarial basis.

Contributions to pay for the health premiums of participating retirees in the SHBP are billed to the Authority on a monthly basis. The Authority funds these benefits on a pay-as-you-go basis and therefore does not record accrued expenses related to these benefits. During the year 2014 and 2013, there was one retired employee in each of those years who received this benefit resulting in the payments of \$7,057, and \$6,915 respectively in health care premiums. This agreement ended as of December 31, 2014.

NOTE 9. CAPITAL LEASE PAYABLE

The Authority entered into a lease agreement dated May 21, 2003 with the Burlington County Bridge Commission Pooled-Lease Program for the financing of Cooperstown Road Sewer Line Extension. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the date of inception.

The following schedule reflects the Debt Service Requirements until 2023:

<u>Year Ending Dec. 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 105,000	\$ 36,650	\$ 141,650
2017	110,000	33,500	143,500
2018	115,000	30,200	145,200
2019	120,000	25,600	145,600
2020	125,000	25,600	150,600
2021-23	<u>395,000</u>	<u>31,800</u>	<u>426,800</u>
Total	<u>\$ 970,000</u>	<u>\$ 183,350</u>	<u>\$ 1,153,350</u>
Current Portion	<u>105,000</u>		
Long-Term	<u>\$ 865,000</u>		

NOTE 10. NET POSITION

Net Position Appropriated

The Authority ended the year with an unrestricted net position of \$895,926; however, \$327,255 has been appropriated and included as support in the operating and capital budgets for the year ending December 31, 2016.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 11. TREATMENT AND DISPOSAL AGREEMENT

The Authority has entered into an agreement with the City of Beverly Sewerage Authority which provides for the treatment and disposal of sewerage and other waste collected in the Township of Delanco. This agreement expires September 30, 2018 however it will automatically be extended for another twenty (20) year period, provided both parties agree. The agreement stipulates that Delanco Township Sewerage Authority's share of operational and capital costs be based on the rate of flow contributed by the Township of Delanco. During the years ended December 31, 2015 and 2014 the Delanco Township Sewerage Authority paid the City of Beverly Sewerage Authority \$598,671 and \$540,418 respectively, in accordance with this agreement.

NOTE 12. DEBT

New Jersey Environmental Infrastructure Trust

In October 1998, the Authority closed on loans from the New Jersey Environmental Infrastructure Trust totaling \$550,000 from the Trust and \$416,075 from the Fund. The loan proceeds were used to fund a sewer system rehabilitation project. As of December 31, 2015, the Authority has drawn \$966,075, the total amount of these funds.

The Fund Loan is a non-interest bearing loan with the first semi-annual payment paid August 1, 2000. The Trust Loan carries interest rates from 4.00% to 4.50%. The Fund Loan matures on February 1, 2015 while the Trust Loan matures on September 1, 2018.

The following schedule reflects the Debt Service Requirements for both N.J.E.I.T. Loans until 2018:

<u>Year Ending Dec. 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 40,000	\$ 5,400	\$ 45,400
2017	40,000	3,600	43,600
2018	<u>40,000</u>	<u>1,800</u>	<u>41,800</u>
Total	\$ 120,000	<u>\$ 10,800</u>	<u>\$ 130,800</u>
Current Portion	<u>40,000</u>		
Long-Term	<u>\$ 80,000</u>		

NOTE 13. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial coverage for the past several years. The Authority has also contracted with the State Health Benefits Fund to provide medical and prescription coverage for its employees.

**Delanco Township Sewerage Authority
Notes to Basic Financial Statements
For the Year Ended December 31, 2015**

NOTE 14. RESTATEMENT OF NET POSITION

Net position on the government-wide Statement of Activities as of January 1, 2015 and January 1, 2014, has been restated for implementation of GASB-68.

The government-wide and fund financial statements were restated as follows:

	Government -wide Statements	
	Governmental Activities	
	2014	2013
Net Position as of December 31, as previously reported	\$ 3,174,798	\$ 3,177,685
Prior Period Adjustment - Implementation GASB 68:		
Net Pension Liability	(370,237)	(364,292)
Deferred Outflows of Resources	39,468	14,362
Deferred Inflows of Resources	(22,064)	
	<u>\$ 2,821,965</u>	<u>\$ 2,827,755</u>
Net Position as Restated, January 1,		

Required Supplementary Information
Schedules Related to Accounting and Reporting
For Pensions (GASB 68)

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
Public Employees Retirement System
Last Two Fiscal Years

	December 31, 2015	December 31, 2014
District's proportion of the net pension liability (asset)	0.0020248175%	0.0019774727%
District's proportionate share of the net pension liability (asset)	\$ 454,531	\$ 370,237
District's covered-employee payroll	121,972	139,672
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	372.65%	265.08%
Plan fiduciary net position as a percentage of the total pension liability	38.21%	42.74%

This schedule does not contain ten years of information as GASB 68 was implemented during this fiscal year ended December 31, 2015.

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the District's Contributions
Public Employees Retirement System
Last Two Fiscal Years

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
Contractually required contribution	\$ 17,408	\$ 16,302
Contributions in relation to the contractually required contributions	<u>(17,408)</u>	<u>(16,302)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 121,972	\$ 139,672
Contributions as a percentage of covered-employee payroll	14.27%	11.67%

This schedule does not contain ten years of information as GASB 68 was implemented during this fiscal year ended December 31, 2015.

**Delanco Township Sewerage Authority
Notes to Required Supplementary Information
Pension Schedules
For the Fiscal Year Ended December 31, 2015**

1. Public Employees' Retirement System (PERS)

Changes of benefit terms. The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS.

Changes of assumptions. Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) for service retirement and beneficiaries of former members with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA. The RP-2000 Disabled Mortality Tables (setback 3 years for males and setback 1 year for females) are used to value disabled retirees.

Supplemental Schedules

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments, and
Non-operating Appropriations Compared to Budget - Non-GAAP (Budgetary Basis)
For the Year Ended December 31, 2015**

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Operating Revenues:					
Service Fees	\$ 800,000		\$ 800,000	\$ 944,819	\$ 144,819
Connection Fees	6,000		6,000	6,709	709
Other	15,000		15,000	35,383	20,383
Total Operating Revenues	821,000		821,000	986,911	165,911
Non-Operating Revenues:					
Township Fair Share Contribution				1,695	1,695
Refund of Prior Year Expense				2,025	2,025
Reserve for Debt Service	61,000		61,000	61,000	
Interest on Investments and Deposits	10,000		10,000	4,816	(5,184)
Total	\$ 892,000	\$ -	\$ 892,000	\$ 1,056,447	\$ 164,447
Expenses:					
Administration:					
Salaries and Wages:					
Authority Members	\$ 7,000		\$ 7,000	\$ 7,000	\$ -
Secretary/Treasurer	39,500		39,500	20,439	19,061
Deputy Secretary/Treasurer	2,000		2,000	6,517	(4,517)
Total Salaries and Wages	48,500		48,500	33,956	14,544
Employee Benefits:					
Public Employees Retirement System	17,000		17,000	31,319	(14,319)
Social Security	8,000		8,000	6,808	1,192
Unemployment Compensation Insurance	500		500	353	147
Workers Compensation Insurance	8,000		8,000	10,287	(2,287)
Hospitalization Insurance	33,000		33,000	23,348	9,652
Total Employee Benefits	66,500		66,500	72,115	(5,615)
Other Expenses:					
Legal Services and Costs	8,500		8,500	6,910	1,590
Auditing Fees	11,500		11,500	11,300	200
Office Expenses	18,000		18,000	20,821	(2,821)
Telephone	3,500		3,500	2,726	774
Other Insurance Premiums	24,000		24,000	22,687	1,313
Inspection Fees	500		500		500
Education, Training & Conferences	1,000		1,000		1,000
Codification	2,000		2,000		2,000
Total Other Expenses	69,000		69,000	64,444	4,556
Total Administration	184,000		184,000	170,515	13,485

(CONTINUED)

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Anticipated Revenues, Operating Appropriations, Principal Payments, and
Non-operating Appropriations Compared to Budget - Non-GAAP (Budgetary Basis)
For the Year Ended December 31, 2015**

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Operating and Maintenance Expenses:					
Salaries	\$ 70,000	\$ -	\$ 70,000	\$ 63,406	\$ 6,594
Electric Power	25,000		25,000	18,014	6,986
Equipment and Supplies	25,000		25,000	26,007	(1,007)
Repairs and Maintenance - Contractual	20,000		20,000	2,996	17,004
Repairs and Maintenance - Lines	10,000		10,000	38,283	(28,283)
Repairs and Maintenance - Lines - Pump Stations				675	(675)
Repairs and Maintenance - Equipment	10,000		10,000		10,000
Beverly Sewerage Authority - Contractual	600,000		600,000	598,671	1,329
Engineer Services	15,000		15,000	21,301	(6,301)
Sub-Contractor	20,400		20,400	15,300	5,100
Other Expenses	4,000		4,000	3,247	753
Total Operating and Maintenance Expenses	<u>799,400</u>		<u>799,400</u>	<u>787,900</u>	<u>11,500</u>
Total Cost of Providing Service	<u>799,400</u>		<u>799,400</u>	<u>787,900</u>	<u>11,500</u>
Debt Service:					
Principal on loans:					
NJEIT Loan	36,129		36,129	36,129	
Revenue Loan	105,000		105,000	105,000	
Interest on loans:					
NJEIT Loan	6,975		6,975	6,975	
Revenue Loan	39,800		39,800	38,225	1,575
Total Debt Service	<u>187,904</u>		<u>187,904</u>	<u>186,329</u>	<u>1,575</u>
Total Operating Expenses and Debt Service	<u>1,171,304</u>		<u>1,171,304</u>	<u>1,144,744</u>	<u>26,560</u>
Excess Operating Expenses and Debt Service over Anticipated Revenues	<u>\$ (279,304)</u>	<u>\$ -</u>	<u>\$ (279,304)</u>	<u>\$ (88,297)</u>	<u>\$ 191,007</u>
Reconciliation to Operating Income:					
Excess Operating Expenses and Debt Service over Anticipated Revenues					\$ (88,297)
Increased by:					
Interest Earned on Deposits			\$ 4,816		
Township Fair Share Contribution			1,695		
Refund of Prior Year Expense			2,025		
Reserve for Debt Service			61,000		
Depreciation			91,858		
					<u>161,394</u>
					(249,691)
Decreased by:					
Loan Principal			141,129		
Loan Interest			45,200		
					<u>186,329</u>
Operating Income (Exhibit B)					<u>\$ (63,362)</u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Cash
Unrestricted and Restricted
For the Year Ended December 31, 2015

Analysis of Cash Balance, December 31, 2015

Unrestricted Cash:

Delanco Federal Savings Bank:

Checking Accounts	\$ 679,638
Certificate of Deposits	703,349
Payroll Account	27,263

Cash on Hand	100
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Total Unrestricted Cash		\$ 1,410,350
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Restricted Cash:

Delanco Federal Savings Bank:

Escrow Control Account	10,028
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Total Cash		\$ 1,420,378
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DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Consumer Accounts Receivable
For the Fiscal Year Ended December 31, 2015**

Balance December 31, 2014	\$ 176,793
Increased by:	
2015 Consumer Charges Billed	<u>944,819</u>
	1,121,612
Decreased by:	
Cash Received	<u>977,541</u>
Balance December 31, 2015	<u>\$ 144,071</u>

**Schedule of Consumer Charge Components
For the Fiscal Year Ended December 31, 2015
(With comparative actual amounts for the year ended December 31, 2014)**

<u>Classification</u>	<u>December 31, 2015</u>		<u>December 31, 2014</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Residential	1,814	\$ 870,586	1,809	\$ 878,112
Schools	2	3,077	2	3,140
Churches	2	1,320	2	1,397
Commercial	40	57,135	41	56,378
Other	12	12,701	13	18,884
	<u>1,870</u>	<u>\$ 944,819</u>	<u>1,867</u>	<u>\$ 957,911</u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY
Schedule of Accounts Payable
For the Year Ended December 31, 2015

Balance December 31, 2014	\$ 6,428
Increased by:	
Operating Expenditures	<u>3,368</u>
Subtotal	9,796
Decreased by:	
Disbursed	<u>6,428</u>
Balance December 31, 2015	<u><u>\$ 3,368</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Escrow Deposits on Account
For the Year Ended December 31, 2015

Balance December 31, 2014	\$	9,388
Increased by:		
Cash Received		<u>4,820</u>
Subtotal		14,208
Decreased by:		
Cash Paid for Escrow Expenses		<u>4,180</u>
Balance December 31, 2015	\$	<u>10,028</u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

**Schedule of Accrued Interest Payable
For the Year Ended December 31, 2015**

Balance December 31, 2014		\$	21,148
Increased by:			
Interest charges for the Year Ended December 31, 2015:			
Budget - NJ Infrastructure Trust Loan	\$	6,975	
Budget - Burlington County Bridge Commission Loan		<u>38,225</u>	
		45,200	
Less - paid from cash on hand with trustee		<u>(1,003)</u>	
			<u>44,197</u>
Subtotal			65,345
Decreased by:			
Cash Disbursed			<u>46,072</u>
Balance December 31, 2015		\$	<u><u>19,273</u></u>

DELANCO TOWNSHIP SEWERAGE AUTHORITY

Schedule of Property Plant and Equipment - Completed
For the Year Ended December 31, 2015

	Balance December 31, 2014	Additions	Disposals	Balance December 31, 2015
Sewer Lines	\$ 5,013,929	\$ -	\$ -	\$ 5,013,929
Machinery and Equipment	12,222			12,222
	5,026,151			5,026,151
Less Accumulated Depreciation	(1,581,147)	(91,858)		(1,673,005)
Total	\$ 3,445,004	\$ (91,858)	\$ -	\$ 3,353,146

Part II

Findings and Recommendations

**DELANCO TOWNSHIP SEWERAGE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

Section I --Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

UNQUALIFIED

Internal control over financial reporting:

1) Material weakness(es) identified?

_____ yes X no

2) Significant deficiencies identified?

_____ yes X none reported

Noncompliance material to basic financial statements noted?

_____ yes X no

Federal Awards

Not Applicable

State Awards

Not Applicable

**DELANCO TOWNSHIP SEWERAGE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

Section 2 -- Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

No findings identified.

**DELANCO TOWNSHIP SEWERAGE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

**Section 3 -- Schedule of Federal Awards and State Financial Assistance
Findings and Questioned Costs**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major Federal and State programs, as required by OMB Circular A-133 and New Jersey Circular Letter 15-08.

FEDERAL AWARDS

A federal single audit was not required.

STATE AWARDS

A state single audit was not required.

**DELANCO TOWNSHIP SEWERAGE AUTHORITY
SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

This section identifies the status of prior year findings related to the basic financial statements and federal and state awards that are required to be reported in accordance with Chapter 6.12 of *Government Auditing Standards*, USOMB Circular A-133 and State of NJOMB Circular 15-08.

FINANCIAL STATEMENT FINDINGS

There were no prior year audit findings

FEDERAL AWARDS

A federal single audit was not required.

STATE AWARDS

A state single audit was not required.

ACKNOWLEDGMENT

I express my appreciation for the assistance and courtesies extended to the audit team by the Delanco Township Sewerage Authority Officials during the course of the audit.

Respectfully submitted,

INVERSO & STEWART, LLC
Certified Public Accountants

A handwritten signature in black ink, appearing to read 'R. Inverso', written in a cursive style.

Robert P. Inverso
Certified Public Accountant
Registered Municipal Accountant

May 27, 2016